



**THE NATURAL HISTORY MUSEUM
TRUSTEES' AUDIT AND RISK COMMITTEE**

87th Meeting on Tuesday 4 February 2020

Present

Hilary Newiss in the Chair
Robert Noel
Colin Hudson (co-opted member)

In Attendance

Lord Green of Hurstpierpoint (Chair of Trustees)
Sir Michael Dixon (Director)
Neil Greenwood (Executive Director of Finance and Corporate Services)
Jan Day (Head of Risk and Assurance/Committee Secretary)
Alex Clark (Director, DCMS Financial Audit NAO)
Sebastian Groth (Audit Manager, National Audit Office)
Anjali Kothari (Partner, Kingston Smith)

Tim Littlewood (Executive Director of Science) and Sarah Long (Registrar) were in attendance for item 12.

ACTION

1 APOLOGIES FOR ABSENCE

1.1 None were received.

**2 DECLARATIONS OF INTEREST AND REGISTER OF INTERESTS
(PAPER TAC 1/2020)**

2.1 These were noted by the Secretary to the Audit & Risk Committee.

3 MINUTES OF THE MEETING HELD ON 29 OCTOBER 2019 (PAPER TAC 2/2020)

3.1 The minutes were accepted as a true record of the meeting.

ACTION

4. MATTERS ARISING FROM THE MINUTES (PAPER TAC 3/2020)

- HN** 4.1 Technology Governance Board - 02/05/19 para 5.10 - It was agreed that the Audit and Risk Committee Chair and Property Trustee (if available) would meet with the new Chief Information Officer (CIO).
- 4.2 Brand Management - 25/06/19 para 5.9 - A new Director of Communications and Marketing had been appointed.

- NG** 4.3 Cabinet Office Freedom of Information Code of Practice Senior Executive Pay & Benefits - 25/06/19 para 5.9 - The members agreed information on hospitality and expenses could be published annually rather than quarterly. However, publication should be accompanied by an explanation why the information was published annually.

5. AUDIT AND RISK COMMITTEE TERMS OF REFERENCE, ANNUAL CYCLE OF INFORMATION AND AUDIT AND RISK CHARTER AND STRATEGY (PAPER TAC4/2020)

- JD** 5.1 The Terms of Reference, Annual Cycle of Information and Audit and Risk Charter were approved subject to one minor amendment. The Terms of Reference Responsibilities para 21(j) was amended to "the appointment of the external auditor for the Trading Company Special Funds and Benevolent Fund Accounts.

6 MUSEUM DIRECTOR'S REPORT (PAPER TAC 5/2020)

- 6.1 The Museum Director presented his paper
- 6.2 Control Issues - There were no significant control issues to report.
- 6.3 Appointments to the Board of Trustees - It was noted that the Cabinet Office was reviewing Board reappointments in-depth.
- 6.4 Museum Attendance - Attendance continued to be very strong, however, the conversion rate (the proportion of visitors who made a purchase) was down. The conversion rate was down across the Retail Sector generally over Christmas and New Year.
- 6.5 Dippy on Tour - The official opening at Number One Riverside Rochdale was Monday 10 February. The opening will be attended by the Museum Director and the Executive Director of Finance and Corporate Services.
- 6.6 Organisational Changes - It was noted the new Human Resources (HR) Director who was joining the Museum from the South Bank Centre was strong on diversity.
- MD** 6.7 Staff Survey 2020 - Generally the Staff Survey (response rate of 87%) showed improvements. However, some areas were marginally worse particularly bullying and harassment. The survey had asked new questions about witnessing, experiencing and reporting bullying. The Museum will redouble its efforts to reduce concerns in this area and may bring in outside consultants to assist. There had been various Museum initiatives e.g. extensive active bystander training which aimed to empower staff to challenge poor behaviours. A member observed the report to the Board of Trustees should outline: (a) the areas that had improved and why; and (b) those which had not and why. Trustees can then advise the Executive Board on the action to take.
- 6.8 New Museum Strategy to 2031 Launch - The Museum Strategy had received very positive feedback.

ACTION

6.9 Major Risks

6.10 Major Risks for 2019/20 - Q3 update

6.11 The high scores for several risks were unlikely to change going forward into 2020/21.

6.12 Update of NHM Risk Universe for 2020/21

6.13 The Senior Management Team (SMT) working through each Directorate Executive team had reviewed the NHM Risk Universe, rescored each risk and added new risks.

6.14 G1 Collections Programme - A important new risk related to the collections programme was G2 - "We do not give NHM staff appropriate time, opportunities for involvement, and incentives to enable them to support the development of an additional site leading to resistance to the Collections Programme".

6.14 Coronavirus - The Museum had issued staff information on the coronavirus infection in China including advice for anyone travelling to China. A meeting was taking place on 4 February 2020 to discuss how the Museum would manage the risk if coronavirus became prevalent in the UK. The Museum planned to provide hand sanitizers in the public toilets. Members agreed that the Museum had little control over the risks consequences and it should not be added to the Risk Universe.

6.15 A4 Strategy to 2031 (External Impact) and F1 Brand - A new risk had been added to the Risk Universe at A4 "The new direction of the strategy is not received well externally and causes reputational damage". The risk was scored Green as it was manageable. The major risk F1 "Failure to create and communicate a distinctive and appealing brand identity, placing us at a competitive disadvantage and negatively impacting our ability to engage audiences and stakeholders and attract external funding" had reduced in score from 20 to 15. F1 Brand will not, therefore, continue as a major risk in 2020/21. The Museum Director will add an item to his Committee report on the impact of the new Strategy to 2031 on the Museum's Brand.

MD

6.16 Ethical Guidelines - It was observed Brand was linked to the application of the new ethical guidelines. It was agreed, therefore, either the Board of Trustees or the Audit and Risk Committee will receive an update on how the ethical guidelines were being applied in practice.

MD

6.17 H2 Centres of Excellence - The new Museum Strategy to 2031 states "to continue to grow our research capability, we will develop new centres of excellence, building on the success of the NHM Centre for Human Evolution Research to support new generations of scholars and research leaders." The Museum Director cautioned, however, the expectations of what can be achieved as a Centre of Excellence must be managed. The new Centre for Human Evolution Research was funded by the Calleva Foundation, however, external funding will not always be available for infrastructure improvements. Generally, Centres of Excellence should be defined as clusters of research expertise around areas of science.

6.18 Members agreed Centres of Excellence should remain on the list of major risks going forward into 2020/21. However, this was with the caveat that the Executive Director of Science assessed the importance of Centres of Excellence in the light of the new Museum Strategy to 2031. The Executive Director of Science will also review all the major Science risks to ensure the appropriate risk owner was assigned.

TL

6.19 Scoring Criteria - The Head of Risk Assurance reviewed risks scores to try and ensure staff applied the criteria correctly. The Museum Director had adjusted some scores but was broadly happy the scoring criteria had been applied consistently across the Museum.

ACTION

- 6.20 The Chair commended the Museum on the valuable information the Risk Universe provided to the Committee.

7 DIRECTOR OF FINANCE & CORPORATE SERVICES' FINANCIAL REVIEW FOR THE PERIOD APRIL 2019 – DECEMBER 2019 (PAPER TAC 6/2020)

- 7.1 The Executive Director of Finance and Corporate Services presented his paper.

- 7.2 Trading Income - Retail - Strong performance from visitor related income was continuing due to increased visitor numbers. The Museum tracked spend per head and conversion rate (the proportion of visitors who make a purchase) and both were down. UK Retail sales and sales in other London museums and galleries were also down. There was speculation consumers were purchasing less to protect the environment. It was observed the Museum shops were experiencing a decrease in plastic dinosaur sales and Retail were looking to diversify their product offer. An internal candidate had been appointed as the new Head of Retail during the financial year and was performing well. The Audit and Risk Committee Chair asked for a Retail presentation at the Commercial Advisory Committee.

- 7.3 Trading Income - Venue Hire - The venue hire forecast included the Ice Rink which only had one more year to run. The Ice Rink income for 2019/20 was expected to exceed the previous year.

- 7.4 Expenditure - There will be increased expenditure towards the financial year end on Fantastic Beasts which opens 22 May 2020. Exhibition expenditure is recognised in the accounts in the financial year it was incurred. The income from the advance sale of fifteen thousand Fantastic Beasts tickets will, however, be accounted for in 2020/21. NHM Touring Exhibitions had incurred significant expenditure on a new exhibition with an American museum partner which was opening in 2020/21. There was also additional expenditure on the fire precautions programme and repairs to the Tring Ornithology Building.

- 7.5 General Fund - The increase in the General Fund forecast outturn compared to the Original Budget reflected an increase in the brought forward balance from 2018/19 and additional self-generated commercial income. The forecast year end outturn for the General Fund of £7.3m was low in comparison with other museums and galleries. The British Museum accounts showed had a General Fund in 2018/19 of £41m.

- 7.6 Anning Rooms Loan - There was no advantage to the Museum in repaying the Anning rooms loan early due to the low level of interest per annum.

- 7.7 Salary Expenditure - The original salary budget was set prior to: (a) the notification of a significant increase in pension contribution for the Civil Service pension scheme for which the Museum received additional resource grant in aid; (b) a 2% pay award and a one-off Museum-wide staff bonus payment totalling £300k; (c) increased salary costs for some new hires; and (d) the decision to appoint more staff in fundraising.

- 7.8 Grant in Aid - The original budget for resource grant in aid was £39.5m and it was revised to £40.872m to cover the increased pension contribution. The expectation was that the increase will be built into the resource grant in aid baseline going forward. It was unlikely that DCMS would distribute additional resource grant in aid at this time of the year.

- 7.9 On-Site Donations - On-site donations included donation boxes, ticket sales donations and gift aid. Ideally the NHM ticket sales web design should be presented more effectively to increase buyer donations. The percentage of contactless donations was increasing. However, increased contactless donations brought higher credit card costs and higher payments to the donation box supplier.

NG

ACTION

8. NHM TRADING COMPANY DEED OF COVENANT (PAPER TAC 7/2020)

- 8.1 Members recommended the Deed of Covenant for approval and execution by the Board of Trustees and Directors of the Trading Company.

9. KINGSTON SMITH PRE-AUDIT LETTER YEAR ENDED 31 MARCH 2020 (PAPER TAC 8/2020)

- 9.1 The Kingston Smith Partner presented the Pre-Audit Letter.
- 9.2 The Kingston Smith Partner considered the Trading Company uncomplicated. Historically the main issues were the Electronic Point of Sale (EPOS) system, stock management and the completeness of income. Kingston Smith: (a) were increasing their depth of review of contractual relationships e.g. the Ice Rink; and (b) year on year look at new areas to challenge the Museum. A member observed going forward stock obsolescence may have increased importance.
- 9.3 Kingston Smith Audit Plan and Fees - The Committee approved the plan and estimated audit fees.

10. HEAD OF RISK & ASSURANCE PROGRESS REPORT (PAPER TAC 9/2020)

- 10.1 The Head of Risk & Assurance presented her report and follow up reports on Modern Slavery and Tier 2 Compliance.
- 10.2 Changes to the Audit Plan 2019/20 - The plan was dynamic, and audits were subject to change in the light of changing priorities. The Head of Risk and Assurance had met with the Museum Director on 13 January 2020 to discuss the plan. New audits and pieces of work had been undertaken by Risk and Assurance in 2019/20 which reduced the available resources. Four audits had been postponed and one cancelled. All the audits will be carried forward to 2020/21
- 10.3 The Committee endorsed the reasons for the changes to the plan.
- Corporate Governance - postponed - The Crowe report on the Board of Trustees and Audit and Risk Committee had not yet been agreed and finalised.
- Legal/Regulatory Compliance HR - postponed - The Museum in house lawyer commenced work on 13 January and the new Director of HR was commencing on 23 March 2020. However, three other reports on Legal and regulatory compliance were completed "Tier 2", "Modern Slavery" and a review of Fire Risk Management System "PAS 7 Legal and Regulatory Compliance".
- General Data Protection Regulation (GDPR) - postponed - A new Chief Information Officer commenced work on 3 February 2020.
- Contract Letting and Procurement - postponed - Systems improvements were taking place and decisions were needed on the letting of major contracts.
- Collections Management - Accessing the Collections - cancelled - The audit was cancelled at the request of Science Group as a new Visitor Access system had not yet been implemented.
- 10.4 Annual Assurance - It was noted the Head of Risk and Assurance's Annual Assurance recorded the audits which had: (a) been added to the plan; (b) those postponed or cancelled; and (c) any additional work undertaken.

ACTION

11. RISK AND ASSURANCE DRAFT ANNUAL PLAN 2020/2021 (PAPER TAC 10/2019)

- 11.1 The Museum Director, Audit and Risk Committee Chair and Head of Risk and Assurance will review the draft plan in the light of the finalised Risk Universe and major risks for 2020/21. It was recommended: (a) the plan should highlight audits postponed/cancelled from 2019/20; and (b) the more important work should be carried out earlier in the financial year if possible.

JD

12. WHAT'S IN THE COLLECTIONS (PAPER TAC 11/2020)

- 12.1 The Registrar presented her paper on "what's in the collections".
- 12.2 Registrar's Team - The responsibilities of the Registrar changed significantly when the current Registrar was appointed six years ago. The Registrar worked alone for several years and was now in a small team of two.
- 12.3 Collections Business Plans - The Registrar was drawing together business plans being developed by the Executive Board, Science Executive and Engagement. The Registrar's team facilitated touring exhibitions, temporary exhibitions and reactive loans on behalf of Engagement. The spreadsheet report will be added to the proposed Annual Collections Assurance paper for the Audit and Risk Committee and the Board of Trustees.
- 12.4 80 Million Specimens - The figure of 80m specimens was a rigorous assessment based on the "Join the Dots" Collection Assessment which added up the collections units across the Museum.
- 12.5 Specimen Location - The specialist curator responsible for the collection unit was the route to locating a specimen and its associated information. Historically curators working in the different areas of science used different methods (electronic systems, physical registries or card index) to database/catalogue the collections. The different databases/cataloguing records will eventually be digitised as part of the Digitisation Collections Programme and united in a central Collections Management System EMu.
- 12.6 Spreadsheets and Informatics - Spreadsheets were used as a tool to move information from the different databases/cataloguing records and import the information into the central Collections Management System EMu. It was also noted the Museum had a large informatics team who employed advanced technological techniques.
- 12.7 Trustees Artwork Collection - The Trustees Artwork Collection was complicated and carrying out an audit was very resource intensive. The collection was spread around the 3 sites of the Museum. New items had been acquired over the years and collections development work was needed to identify which items were not suitable for retention. The work was ongoing and had taken time due to other priorities and limited resources in the Library and the Registrar's team.
- 12.8 Monetary and Scientifically Valuable Specimens - The Museum had 1.25m type specimens located within the relevant collection unit. There was a rolling programme of collections audits checking monetary and scientifically value specimens including type specimens. Collections were closed to visitors during collections audit week. There was an ongoing programme of security measures and the Security Team worked closely with the Collections Management Team. The Natural History Museum's collections were deemed to be better curated and more accessible than other natural history museum collections. Around 200k new specimens were accessioned to the collection each year as a lot or individual specimen.

ACTION

12.9 British Museum Act (1963) - It was noted most of the Museum's collections were not valued and capitalised in the Balance Sheet. The exception was since 1 April 2001 collections acquisitions in excess of the capitalisation threshold of £5,000 had been capitalised at acquisition value in the Balance Sheet. The key governance issue was under the British Museum Act (1963), the Trustees of the Natural History Museum had a statutory responsibility for the care of the collections.

12.10 The Audit and Risk Committee Chair thanked the Executive Director of Science and the Registrar for the informative presentation. It was clear to the Committee that with the resource and other constraints a comprehensive central collections database of 80m specimens was a long-term ambition. The direction of travel was, however, the right one.

TL/SL

12.11 Trustee's Collections Annual Assurance - The Audit and Risk Committee Chair endorsed the Registrar's proposal for a future Annual Assurance Document. The assurance should include: (a) an outline long-term plan; and (b) as proposed the items contained within the loss, damaged and missing register. Ideally the assurance should go annually to the May Audit and Risk Committee with the other annual assurance papers. Starting in 2020 or 2021 depending on resources.

12.12 It was agreed that the Head of Risk and Assurance need no longer report on the priority 2 collection risks in her paper to the Committee.

RN

12.13 The property specialist on the Committee agreed to meet with the Registrar to learn more about the care of the collections.

13. TRUSTEES' AUDIT AND RISK COMMITTEE EFFECTIVENESS

13.1 Crowe LLP Review - Crowe LLP's independent review of the Board of Trustees and its committees made a few recommendations for the Audit and Risk Committee. These related to risk management and the committee's terms of reference. Members were of the view, however, that the Committee and the Museum performed well in both these areas.

JD

13.2 Audit and Risk Committee Effectiveness - The Audit and Risk Committee pre-meeting attended by members, the Chair of the Board and Head of Risk and Assurance reviewed the National Audit Office (NAO) Audit and Risk Assurance Committee Effectiveness Checklist. The Head of Risk and Assurance will compile a composite checklist and list of the members recommendations.

13.3 Principle 1 Membership, Independence, Objectivity and Understanding. Questions 4 and 5 - the relationship with the Department for Culture, Media and Sport (DCMS). Members believed it was for DCMS to tell the Committee if they considered that the relationship was effective or they wished to attend the NHM Audit and Risk Committee.

HN

13.4 Principle 2 Skills - Question 9 wider skills - The Committee highlighted the need to replace the vacant Science member position as soon as possible. The Committee decided not to co-opt a digital technology expert as: (a) the digital trustee can attend if necessary; and (b) they were considering, if with the increased importance of data and cyber security there should be a standing agenda item on cyber security from the new Chief Information Officer (CIO). The Audit and Risk Committee Chair will discuss with the new CIO at their one to one meeting.

13.5 Cognitive Diversity - The Crowe report noted it was important to focus on cognitive diversity (the inclusion of people with different styles of thinking, who can offer different perspectives on problem solving) as well as gender and ethnicity. However, it was noted cognitive diversity may have greater significance for the Board of Trustees.

ACTION

- HN/CH** 13.6 Principle 5 Communication and Reporting - Question 33 - The Chair of the Audit and Risk Committee and co-opted member will meet with the Executive Director of Finance and Corporate Services each year in February/March.
- 14. FUTURE AGENDA ITEMS**
- HN/MD** 14.1 The Audit and Risk Committee Chair and Museum Director will discuss future agenda items and risk presentations at their next meeting. The Audit and Risk Committee Chair would like presentations from the new Directors. A member observed that the Executive Board should only present on risks when they required the Audit and Risk Committee's advice on how to manage the risk.
- 15. ANY OTHER BUSINESS**
- 15.1 The Comptroller and Auditor General (C&AG - Head of the NAO) had approved a review of how DCMS managed the maintenance of all the museums estates as arm's length bodies. The aim is to identify how DCMS: (a) understands the physical property conditions of the various museum estates; and (b) makes funding choices. The review began in December 2019 and publication is due in March 2020.
- 16. DATE OF THE NEXT MEETING**
- 16.1 The next meeting will be held at 10.00 a.m. on 5 May 2020

KEY TO ACTION INITIALS

Michael Dixon - MD
Jan Day - JD
Neil Greenwood - NG
Colin Hudson - CH
Tim Littlewood - TL
Sarah Long - SL
Hilary Newiss - HN
Robert Noel - RN